

Minutes of the Board of Directors of the  
Sulphur Springs Valley Electric Cooperative, Inc.

May 23, 2018

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, May 23, 2018 in the SSVEC Sierra Vista boardroom, 311 East Wilcox Drive, Sierra Vista, Arizona.

President Barrera called the meeting to order at 9:32 a.m. Members arriving at any time during the meeting would be recognized. The following directors were present: *CALL TO ORDER*

District

1 - Kathy Thatcher	8 - Peter Gillespie
2 - Curtis Nolan – Treasurer	9 - James Johnson
3 - Pat English	10 - Gary Payne
4 - Tom Goodman - Secretary	11 - Ed Molina
6 - Dan Barrera - President	13 - Gene Manring – Vice President

All directors were present, with Tom Goodman awaiting approval to participate by phone. Creden W. Huber, Chief Executive Officer, Chris Hitchcock, General Counsel, and the following SSVEC employees were also present: Kirby Chapman, Jack Blair, Ricardo Garcia, Orson Garnsey, Daniel Wilson, Jason Bowling, David Bane, and Char Bennett. Also present were Sierra Vista members Ronald Faulkner and former SSVEC director Harold Hinkley.

President Barrera announced there was a quorum.

Mr. Nolan gave the invocation and led the Pledge of Allegiance.

Mr. Nolan asked the Board to consider approval for Mr. Goodman to participate in the board meeting by phone.

Mr. English made a motion to allow Mr. Goodman to participate in the day's meeting and be paid per diem. Ms. Thatcher seconded the motion, which carried.

Mr. Hitchcock noted that Mr. Goodman would be allowed to make motions and vote while participating by phone.

The agenda for this May 23, 2018 meeting was presented.

*APPROVAL OF  
AGENDA*

Mr. Manring made a motion to approve the agenda as presented. Mr. Molina seconded the motion, which carried.

The minutes of the regular meeting held April 18, 2018 were presented.

*APPROVAL OF  
MINUTES*

Ms. Thatcher made a motion to approve the minutes as presented. Mr. Molina seconded the motion, which carried.

The minutes of the April 19, 2018 special meeting were presented.

Mr. Nolan made a motion to approve the minutes as presented. Ms. Thatcher seconded the motion, which carried.

The minutes of the April 19, 2018 annual meeting were presented for review.

No corrections were made. The minutes will be presented for member consideration during the 2019 annual meeting.

The minutes of the April 19, 2018 regular meeting were presented.

Ms. Thatcher made a motion to approve the minutes as presented. Mr. Manring seconded the motion, which carried.

Under the Call to Members, Mr. Faulkner congratulated SSVEC on its 80<sup>th</sup> anniversary. He distributed copies of his comments and discussed his request for SSVEC to develop and promote policies on photovoltaics for commercial and public venues and encouraged renewable infrastructure.

*CALL TO MEMBERS*

Mr. Hinkley also congratulated SSVEC on its 80<sup>th</sup> anniversary. He expressed appreciation for Kirby Chapman's contribution to SSVEC's financial status and asked that he be duly recognized upon his retirement in July.

President Barrera welcomed Mr. Faulkner and Mr. Hinkley and thanked them for their comments.

Under the Call to Directors, Mr. English reported on appreciation expressed by Double Adobe School students for the April magician's performance that was sponsored by SSVEC.

*Call to Directors*

Mr. Faulkner left the meeting.

With no objections stated, the Board entered into executive session at 9:44 a.m.

The regular meeting resumed at 10:04 a.m.

The Executive Committee reviewed the board meeting agenda and Policy A-29.

*GOVERNANCE COMMITTEE REPORTS Executive Committee*

Directors and key employees reviewed Policy A-29 Conflicts of Interest and signed the related form.

The Board 2018 annual meeting member survey results were included in the Member Services report.

The Committee presented Policies E-1, Equal Opportunity/Non-Discrimination Employment; E-2, Compensation and Job Evaluation; and E-3, Paid Time Off, which were included in the board report.

*Committee of the Whole Policies*

After full discussion, Mr. Molina made a motion to approve Policy E-1 as presented. Mr. Payne seconded the motion, which carried.

*Policies E-1, E-2, & E-3 Readopted*

Mr. Payne made a motion to approve Policy E-2 as presented. Mr. English seconded the motion, which carried.

Ms. Thatcher made a motion to approve Policy E-3 as presented. Mr. Goodman seconded the motion, which carried.

Policy E-3 now allows for HSA conversion of PTO by a full-time employee who has at least 250 hours of PTO accrued prior to using their PTO. In addition, "Hour limits for part-time employees shall be commensurate with their percent of full-time equivalency."

The approved policies are attached to and made a part of these minutes.

The Committee reviewed Policies E-4, Holidays; E-5, Insurance & Retirement; and E-6, Employee Education, and will present them for consideration in June.

The Committee presented the March 2018 Form 7, which was included in the board report. *Finance*

After full discussion, Mr. Manring made a motion to accept the March 2018 Form 7. Ms. Thatcher seconded the motion, which carried.

The Committee presented vouchers submitted by directors and the CEO in the amount of \$5,295.17. The vouchers included expenses incurred for the AEPCO Annual Meeting.

After full discussion, Mr. Molina made a motion to accept the vouchers. Mr. English seconded the motion, which carried.

Mr. Nolan referred to an executive summary, CFC letter and history of donations regarding the CFC Integrity Fund (Fund), which were included in the board report. *CFC Integrity Fund Donation*

The Fund defends rural electric cooperatives against threats of takeover, buyouts or loss of territory.

After full discussion, Mr. Payne made a motion to make a \$5,000.00 donation to the CFC Integrity Fund. Mr. Gillespie seconded the motion, which carried.

Mr. Nolan referred to an executive summary and Policy B-5, Capital Credit Retirements – Estates, which were included in the board report. *Capital Credit Retirements – Estates Policy B-5 Amended*

After full discussion, Mr. Manring made a motion to amend Policy B-5 to allow a minimum of \$100,000 estate retirement regardless of the capital credits retired in the previous year. Mr. English seconded the motion, which carried.

This change will not impact the operating budget. Estate capital credit retirements are discounted, with the discounted amounts being added to equity.

The results of the annual meeting member surveys were included in the board report under the Member Services report. *2018 Annual Meeting Review*

President Barrera asked Mr. Huber for his CEO Report. A written report was included in the board report. *CEO Report*

Mr. Huber congratulated Mr. Molina and presented him with his NRECA Director Gold Certification award. Former director Lex Herron also achieved Director Gold status and had recently received his award.

Mr. Huber referred to the NRECA Electric Cooperative Governance Task Force Report which had recently been published. The Board will review portions of the document during future board meetings.

Written staff reports were included in the board report.

*STAFF REPORTS*

Staff responded to questions asked by directors.

Mr. Bane made a PowerPoint presentation on the proposed 2019 REST Plan (Plan). The presentation and a proposed resolution were included in the board report.

*2019 REST PLAN*

Mr. Bane reviewed the Plan's background and proposed budget.

Currently, there are 1,812 photovoltaic systems installed for 12.8 megawatts. SSVEC has exceeded the 2025 renewable goal.

*Resolution  
2018-04 Adopted*

The proposed Plan has no changes in incentives or REST surcharge. It requests setting aside \$1 million for a future photovoltaic project, with the goal of having \$7 million for a project RFP in 2021. A request for \$20,000 for a potential biomass project study is also included. The proposed budget totals \$3.08 million.

After full discussion, Mr. Nolan made a motion to adopt Resolution 2018-04. Mr. English seconded the motion, which carried.

WHEREAS, Sulphur Springs Valley Electric Cooperative (SSVEC), an electric cooperative company in Arizona, is required to submit annual updates to the REST program and tariff, in the course of normal operations.

BE IT RESOLVED that the Board of Directors of SSVEC has reviewed the 2019 REST program presented by the SSVEC Management and Staff and fully supports the 2019 REST plan to be submitted to the ACC for approval.

Mr. Bane made a PowerPoint presentation on his rate review. The presentation was included in the board report.

*Commercial Rate  
Review*

Mr. Bane reviewed commercial and residential rates and compared SSVEC's costs to those of nearby electric utilities.

Mr. Bane left the meeting. AEPCO Chief Executive Officer Patrick Ledger joined the meeting.

President Barrera introduced Mr. Ledger and asked for his report.

Mr. Ledger updated the Board on generation, environmental and regulatory issues.

*AEPCO*

Mr. Ledger presented a capital credit check to SSVEC in the amount of \$260,159.98.

Mr. Ledger discussed a proposed constitutional amendment regarding clean energy, which is in the petition process. GCSECA has taken a stand against the initiative and has approved campaign funds to help educate Arizonans on the issue and its real, potential impact.

Mr. Ledger and Mr. Hinkley left the meeting.

The Board reviewed schedules for the 2018 NRECA conferences, 2018 CFC Forum, 2018 CoBank Directors Conference, and 2018 NRECA Regions 8 – 10 Meeting, which were included in the board report.

*Other Business*

Information regarding the 2018 NCSC Annual Meeting to be held during the CFC Forum schedule was included in the board report.

President Barrera appointed Mr. Manring as the delegate to the NCSC annual meeting and Mr. Gillespie as the alternate.

With no objections stated, the Board returned to executive session at 12:41 p.m.

The regular meeting reconvened at 1:02 p.m.

There being no further business and no objections stated, President Barrera adjourned the meeting at 1:02 p.m.

Respectfully submitted,

Secretary

Approved:

President